October 11, 2013

Via Electronic Mail
teresa.rea@uspto.gov

The Honorable Teresa Stanek Rea
Acting Under Secretary of Commerce for Intellectual Property and
Acting Director of the United States Patent and Trademark Office
United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22313

Re: Making “Real Party-in-Interest” the New Default

Dear Acting Under Secretary Rea:

I write on behalf of the American Bar Association Section of Intellectual Property Law (the “Section”). The views expressed herein are those of the ABA Section of Intellectual Property Law, not the American Bar Association as a whole, its House of Delegates, or its Board of Governors.

In June of this year, the White House issued a report titled “Patent Assertion and U.S. Innovation,” and simultaneously released a list of seven legislative priorities and five executive actions. Among them, the White House directed the U.S. Patent and Trademark Office (the “USPTO”) as follows:

Making “Real Party-in-Interest” the New Default. Patent trolls often set up shell companies to hide their activities and enable their abusive litigation and extraction of settlements. This tactic prevents those facing litigation from knowing the full extent of the patents that their adversaries hold when negotiating settlements, or even knowing connections between multiple trolls. The PTO will begin a rulemaking process to require patent applicants and owners to regularly update ownership information when they are involved in proceedings before the PTO, specifically designating the “ultimate parent entity” in control of the patent or application.
Prior to the publication of the USPTO’s notice of rulemaking pursuant to this directive, the Section respectfully submits the following comments.

General Comments:

The Section acknowledges that the Executive Branch can play a role in reducing incentives for systematic abusers of patents; however, the Section is concerned that a blanket, detailed disclosure requirement will create a heavy burden on innocent patent owners and the USPTO.

First, there are legitimate non-practicing entities. Organizations may decide to hold their intellectual property in an organization other than an operating company for a variety of reasons having nothing to do with abusive enforcement behavior. Likewise, high-risk private capital investment in new technology should continue to be encouraged. Burdening all patents of any entity that fails due to undercapitalization, infringement by a “second mover” who learned of a market only after the start-up proved the merit of an invention, or for some other reason having nothing to do with so-called “trolls” may have a chilling effect on that investment.

Second, and more importantly, the obligation to identify interrelationships among owners of equity in various organizations would be substantial for all patent owners, whether they are individuals, universities, or corporations, and regardless of whether their patent portfolios are large or small. All have limited resources. The obligation would be particularly difficult for patent portfolios acquired through merger, license, or other means. Further, for various legitimate reasons, the relationship between the related companies and subsidiary companies may change from time to time and, as a practical matter, the persons responsible for managing a patent portfolio may not always be aware of the precise current configuration of internal subsidiary relationships. Many of those relationships are legitimately confidential. Requiring a broad, blanket disclosure regarding all the interrelationships affecting all patents would create a large burden on legitimate patent owners, and the USPTO would be collecting data that is of limited relevance in most patent-related disputes.

Thus, while the Section agrees with the general goal of deterring abusive conduct on the part of patent assertion entities, the Section does not support promulgation of a blanket rule that will burden all patent owners.¹ If a blanket rule is to be implemented, the Section

¹ Rather than having a blanket rule for all patent owners, the better process, which would have a significant effect on so-called “trolls,” would be for a potential defendant, believing itself to be the subject of abuse, to bring the offending behavior to an appropriate agency, such as the FTC. If truly abusive behavior is
urges the USPTO to minimize the burdens imposed. The Section offers the following three comments in this regard:

1) **What should be disclosed?**

As noted above, an obligation to identify complex interrelationships among owners of equity in various organizations and at various levels would be very burdensome. The Section recommends that any rule implemented by the USPTO require disclosure of only a single entity that holds the ultimate ownership rights in the patent. This is consistent with the White House directive, which speaks only in terms of identifying the “ultimate parent entity.” There should be no obligation to identify a chain of title (or associated corporate structure) that exists between the owner of record and the ultimate parent entity.

2) **When should the disclosure obligations apply?**

The White House report also directs the USPTO to require patent applicants and owners to update ownership information “when they are involved in proceedings before the PTO.” The Section is concerned that, as literally worded, this obligation could apply to any submission, even a routine response to an office action. For example, where two portfolios are merged or where a portfolio is acquired, the burden of updating ownership information in every paper filed with the Office would be significant. In the absence of abusive behavior, any blanket obligation to update the real party of interest in any submission to the USPTO would be far too cumbersome upon legitimate patent owners and the USPTO, and it would not be productive in the vast majority of cases. For example, submissions of real party in interest information at filing or during prosecution is not only burdensome but also unnecessary – as the patent may never issue.

The Section recommends that the disclosure obligations, if implemented, apply only at the time of payment of the issue fee, and at the time of payment of any subsequent maintenance fees.

3) **What should the penalty be for failure to comply?**

The White House directive is silent as to whether the USPTO may impose penalties for a failure to comply with any rules the agency may implement. Absent such direction and absent any practical experience with the new rules the USPTO may adopt, the Section occurring regarding a particular patent, then the agency can require whatever type of disclosure it may deem appropriate to address the abuse.
 encourages the USPTO not to impose any penalty or sanction beyond those already imposed on practitioners before the Office.

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We thank you for the opportunity to comment on the “Real Party-in-Interest” issues prior to publication of the USPTO’s notice of rulemaking. If you have any questions on our comments or would like further explanation, please feel free to contact me. Either I or another member of the leadership of the Section will respond to any inquiry.

Very truly yours,

[Signature]

Robert O. Lindefjeld
Section Chair
American Bar Association
Section of Intellectual Property Law